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Jack Anderson's Washington Merry-go-round

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With Les Whitten

WASHINGTON — The story can now be told how the White House, even after the Watergate coverup had been fully exposed, continued to use Watergate tactics in an attempt to block a 1974 audit of Richard Nixon's tax returns.

Despite the White House intervention, the Internal Revenue Service went ahead with the audit. But the charges against Nixon were strangely limited to simple negligence. A fraud penalty not only would have forced him out of office months earlier but would have cost him an extra $148,080.97 in back taxes.

Outgoing Internal Revenue Commissioner Donald Alexander acknowledged that the White House pressured him in 1974 to quash the Nixon tax audit. He was joined by then-Treasury Secy. George Shultz in resisting the White House pressure, Alexander told us.

We checked with Shultz, who confirmed Alexander's account. "We all wanted to do the right thing," Shultz recalled. Neither would discuss the details of the White House intervention. Alexander said only that he expected to be fired for refusing to stop the audit. Both agreed that the political pressure ended when Gerald Ford became president.

A year earlier, the Internal Revenue Service delicately audited Nixon's tax returns and found them to be in perfect order. But press exposes and a congressional investigation persuaded the IRS to conduct a second audit in 1974.

This revealed that Nixon had deeded one-third of his vice presidential papers, developed at the taxpayers' expense, back to the taxpayers. In return for this gift, he claimed a $576,000 tax deduction.

There was one hitch; the law permitting tax deductions for personal papers had expired. But White House aide Edward Morgan got around this obstacle by illegally backdating the gift.

It was a clear case of fraud, which normally would have been brought against the errant taxpayer. But Taxpayer Nixon claimed he was unaware of the backdating.

The two attorneys who prepared the fraudulent returns, Herbert Kalmbach and Frank DeMarco, swore they explained the tax figures carefully to Nixon. They spent about 30 minutes on April 10, 1970, going over the returns with him. Nixon carefully checked each page before signing the forms, they testified. For that matter, he had started out his law career as a tax attorney.

Nixon's tax documents also show that he took a personal interest in claiming every possible deduction. He contended, according to the documents, that "a public man does very little of a personal nature." Therefore, he instructed his aides to count all entertainment and gifts as "business" deductions.

But the fraud charges were brought against the unfortunate Morgan, who pleaded guilty. Nixon was merely nailed for negligence. He paid an assessment of $284,706.16 for back taxes for the years 1970 to '71 and 1971 to '72. The IRS informed him that he also owed another $148,080.97 in back taxes for 1969. But the 1969 assessment didn't really have to be paid because the statute of limitations had run out.

On April 3, 1974, Nixon solemnly promised to pay up all his back taxes, including the 1969 bill. Yet he still hasn't paid the $148,080.97. If he had been found guilty of fraud, the statute of limitations would no longer apply, and he couldn't avoid paying the full $148,080.97.

Inside sources tell us that the former president should have been charged with fraud. They suspect the White House pressure, though it failed to block the tax audit, may have led to downgrading the fraud charge. Both Alexander and Shultz insisted, however, that they resisted all White House political pressure.

They conceded that the Nixon audit was only one of many cases in which the White House tried to meddle. In 1973, for example, the White House quietly protested an IRS decision to examine political committees. There was a similar howl from the White House when the IRS decided to tax political parties.

Alexander told us that Nixon also tried to use the Bureau of Alcohol, Tobacco and Firearms for political purposes. The bureau, once part of the IRS, became a separate entity under Nixon. The former president planned to use the new agency as a refuge for political hacks, such as the convicted Watergate burglar G. Gordon Liddy, according to Alexander.

Footnote: We have been unable to get any comment from Richard Nixon.

KOREANS vs. CUBANS — Pentagon officials once discussed shipping South Korean troops to Angola to counter the Cuban forces, who backed the triumphant pro-Soviet faction.

Intelligence reports claimed that Fidel Castro had sent his Cuban troops to Angola to advance Soviet influence. According to the reports, the Soviets completely financed and directed the Cuban operation.

Some Pentagon officials suggested that the United States could play the same game and recommended ferrying over South Korean troops to fight the Cubans. The South Koreans proved in Vietnam that they are fierce jungle fighters.

At the lower levels, there is still talk of using South Koreans in Africa if the Soviets continue to import Cubans to fight for them.

Intelligence reports indicate, meanwhile, that the Cubans have failed to defeat Jonas Savimbi's non-Communist guerrillas in Angola. The Cubans reportedly are concentrating their strength in key centers. They have made themselves unpopular, it is also reported, by stealing food from the villagers.

The guerrillas have been able to use the "Cuban occupation," therefore, as a battlecry. In many ways, Angola is turning into Fidel Castro's Vietnam.